

GR 410

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FM JEDDA 191100Z AUG

TO PRIORITY FCO

TELEGRAM NUMBER 590 OF 19 AUGUST
REPEATED TO (FOR INFO) UKDEL IMF/IBRD, WASHINGTON, KUWAIT, ABU DHABI,
CAIRO.

INFO SAVING BEIRUT, DAMASCUS, BAGHDAD, AMMAN, TEL AVIV,
LUXEMBOURG, THE HAGUE, DUBLIN, PARIS, BRUSSELS, BONN, ROME,
COPENHAGEN

PLO OBSERVER STATUS AT IBRD: SAUDI ATTITUDES

1. FIRST SECRETARY (ECONOMIC) SAW DEPUTY GOVERNOR OF SAMA ON
19 AUGUST.

2. AHMAD ABDULLATIF HAD HIMSELF BEEN WORKING ON THE NOW FROZEN
LOAN TO THE IBRD: HE GAVE ITS VALUE AS US DOLLARS FOUR HUNDRED
MILLION AND SAID THAT CONTRARY TO PRESS REPORTS IT WAS TO HAVE
GONE DIRECT FROM SAMA AND NOT THROUGH THE SDF.

3. ABDULLATIF SAID THAT SAUDI DISPLEASURE AT THE PROPOSAL TO
EXCLUDE THE PLO WAS NO PRIMARILY DISAPPOINTMENT THAT A POLITICAL
OBJECTIVE TO WHICH THEY GIVE STRONG SUPPORT MIGHT NOT BE ACHIEVED
BUT RATHER ANGER AT WHAT THEY SEE AS AN ABUSE OF IBRD PROCEDURES
FOR POLITICAL ENDS BY THE PROPONENTS OF EXCLUSION. THOSE WHO
FAVOURED ADMITTING THE PLO AS OBSERVERS HAVE FOLLOWED TO THE LETTER
THE PROCEDURES LAID DOWN IN IBRD RULES: A YEAR AGO THEY CALLED
FOR THE ESTABLISHMENT OF A COMMITTEE TO CONSIDER THE MATTER, THE
COMMITTEE HAS MET, REPORTED, AND RECOMMENDED THAT THE PLO BE
ADMITTED. THE INVITATION THE PLO FROM JAMAL, THE CHAIRMAN OF
THE 1980 IBRD MEETINGS, WAS THE CULMINATION OF THIS PROCESS. HAD
THE COMMITTEE RECOMMENDED AGAINST ADMITTING THE PLO SAUDI ARABIA
WOULD HAVE ACQUIESCED IN THE DECISION: NOT TO HAVE DONE SO WOULD
HAVE BEEN CLEAR POLITICALLY-MOTIVATED MEDDLING IN THE OPERATION OF
THE BANK. AS IT IS, IT IS MCNAMARA WHO IS FLOUTING PROCEDURAL
RULES FOR POLITICAL REASONS, AND THAT SAUDI ARABIA FINDS INTOLERABLE.

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4. ON THE LIKELY OUTCOME OF THE VOTE OF MEMBERS OF THE BANK/FUND, ABDULLATIF WOULD GIVE NO OPINION. BUT HE DESCRIBED IT AS QUOTE ABSOLUTELY CERTAIN UNQUOTE THAT IF THERE IS A QUORUM AND THE VOTE GOES AGAINST THE PLO SAUDI SUPPORT FOR THE IBRD WILL BE FURTHER REDUCED. SAUDI ARABIA HAS GIVEN UNSTINTING AND ENTHUSIASTIC SUPPORT TO THE BANK IN THE PAST, HE SAID, BUT IT IS RIDICULOUS FOR MCNAMARA TO SUPPOSE HE COULD SNUB THE SAUDIS AND EXPECT THINGS TO CONTINUE AS BEFORE.

5. GANTLEY ASKED WHETHER SAUDI RELATIONS WITH THE IMF WOULD ALSO IMMEDIATELY BE JEOPARDIZED BY AN ADVERSE VOTE. NO, SAID ABDULLATIF, THE ARGUMENT WAS IN A WORLD BANK CONTEXT AT PRESENT AND THE SAUDIS WOULD KEEP IT THAT WAY. THUS THEIR COMMITMENT TO HELPING THE FUND PROMOTE RECYCLING OF THE OIL SURPLUSES WOULD CONTINUE. MONETHELESS THE IBRD IS ITSELF A PARTICULARLY IMPORTANT CHANNEL FOR RECYCLING — IT IS IN THE BUSINESS OF A REAL TRANSFER OF RESOURCES AS V OPPOSED THE THE "BALANCING OF BOOKS" WHICH IS OFTEN ALL THAT THE SDR FLXILITY AND THE SUBSTITUTION ACCOUNT ACHIEVE — AND HE WOULD FEEL IT A TRAGEDY IF SAUDI ARABIA WAS FORCED TO REDUCE SUPPORT FOR THE BANK.

6. COMMENTS FOLLOW BY BAG.

FCO PSE PASS SAVING ADDRESSEES

GRAY

REPEATED AS REQUESTED

MONETARY
MED
NENAD
ERD

THIS TELEGRAM
WAS NOT
ADVANCED

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